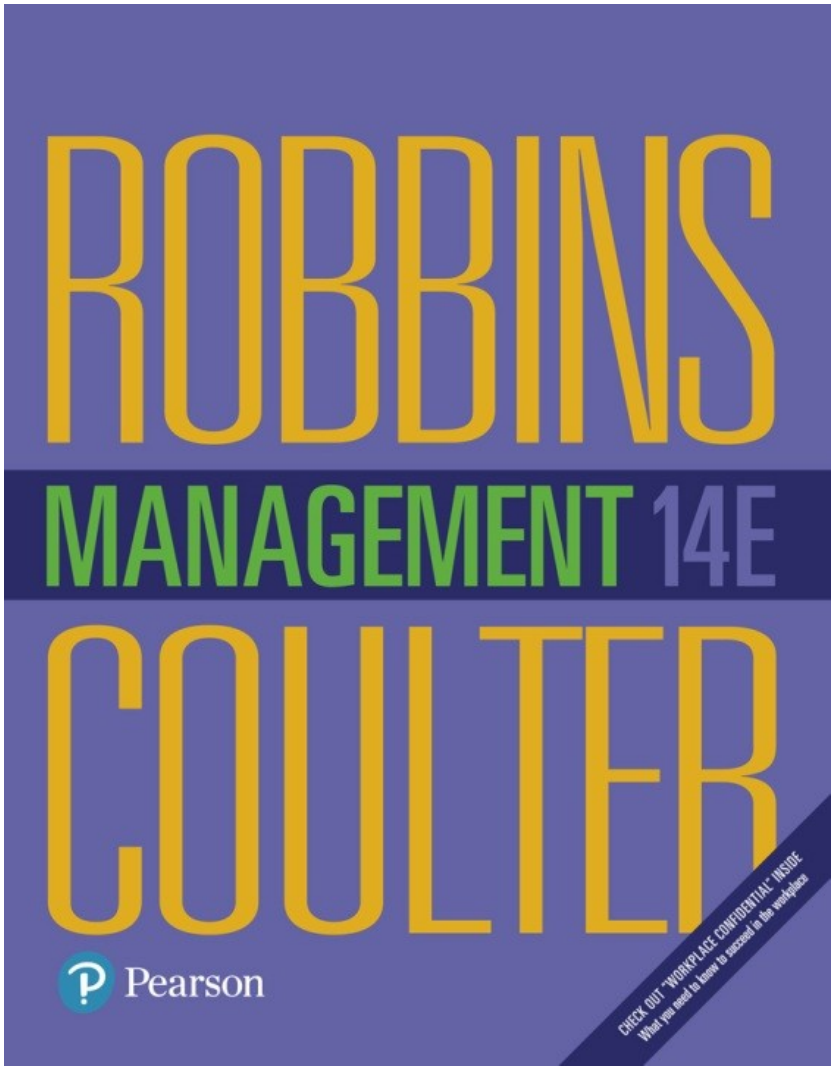
Management

Fourteenth Edition



Chapter 9

Managing Strategies

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Learning Objectives

9.1 **Define** strategic management and explain why it's important.

9.2 **Explain** what managers do during the six steps of the strategic management process.

Know how to identify your own personal strengths and weaknesses and deal with them.

Develop your skill at strategic planning.

9.3 **Describe** the three types of corporate strategies.

9.4 **Describe** competitive advantage and the competitive strategies organizations use to get it.

9.5 **Discuss** current strategic management issues.

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What is Strategic Management?

- **Strategic management**: what managers do to develop the organization's strategies.
- **Strategies**: the plans for how the organization will do what it's in business to do, how it will compete successfully, and how it will attract and satisfy its customers in order to achieve its goals
- **Business model**: how a company is going to make money

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Why is Strategic Management Important?

- Has a positive impact on performance
- Helps managers decide how to act in face of change and uncertainty
- Helps complex and diverse organizations work together

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Exhibit 9-1
Strategic Management Process

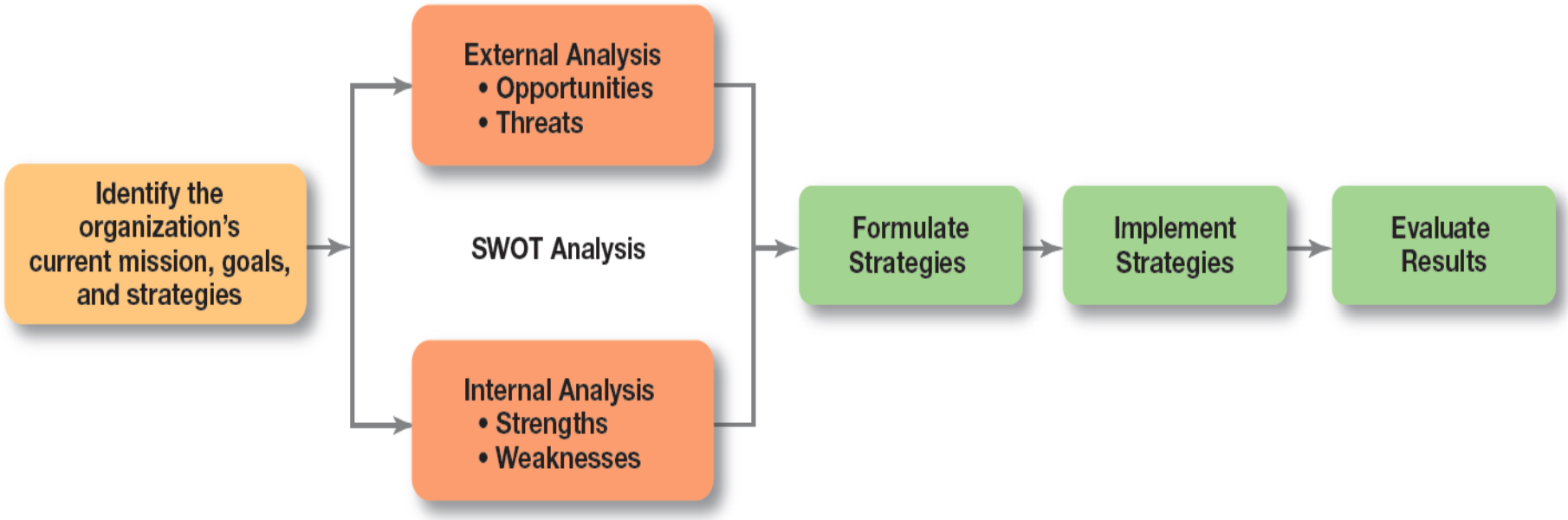

Exhibit 9-1 illustrates the six-step process of strategic management, which encompasses strategy planning, implementation, and evaluation.

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Step 1: Identifying the Organization's Current Mission, Goals, and Strategies

- **Mission**: the purpose of an organization

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Exhibit 9-2
Components of a Mission Statement

Component	Question
Customers	Who are the firm's customers?
Market	Where does the firm compete geographically?
Concern for Survival, Growth, and Profitability	Is the firm committed to growth and financial stability?
Philosophy	What are the firm's basic beliefs, values, and ethical priorities?
Concern for Public Image	How responsive is the firm to societal and environmental concerns?
Products or Services	What are the firm's major products or services?
Technology	Is the firm technologically current?
Self-Concept	What are the firm's major competitive advantage and core competencies?
Concern for Employees	Are employees a valuable asset of the firm?

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Step 2: Doing an External Analysis

- **Opportunities**: positive trends in the external environment
- **Threats**: negative trends in the external environment

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Step 3: Doing an Internal Analysis

- **Resources:** an organization's assets that are used to develop, manufacture, and deliver products to its customers
- **Capabilities**: an organization's skills and abilities in doing the work activities needed in its business
- **Core competencies:** the organization's major value- creating capabilities that determine its competitive weapons

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SWOT Analysis

- **Strengths:** any activities the organization does well or its unique resources
- **Weaknesses**: activities the organization does not do well or resources it needs but does not possess
- **SWOT analysis:** an analysis of the organization's strengths, weaknesses, opportunities, and threats

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Step 4: Formulating Strategies

- Three main types of strategies managers will formulate:
  - Corporate
  - Competitive
  - Functional

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Step 5: Implementing Strategies

- No matter how effectively an organization has planned its strategies, performance will suffer if the strategies aren’t implemented properly.

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Step 6: Evaluating Results

- How effective have strategies been at helping the organization achieve its goals
- What adjustments are necessary?

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Exhibit 9-3
Types of Organizational Strategies

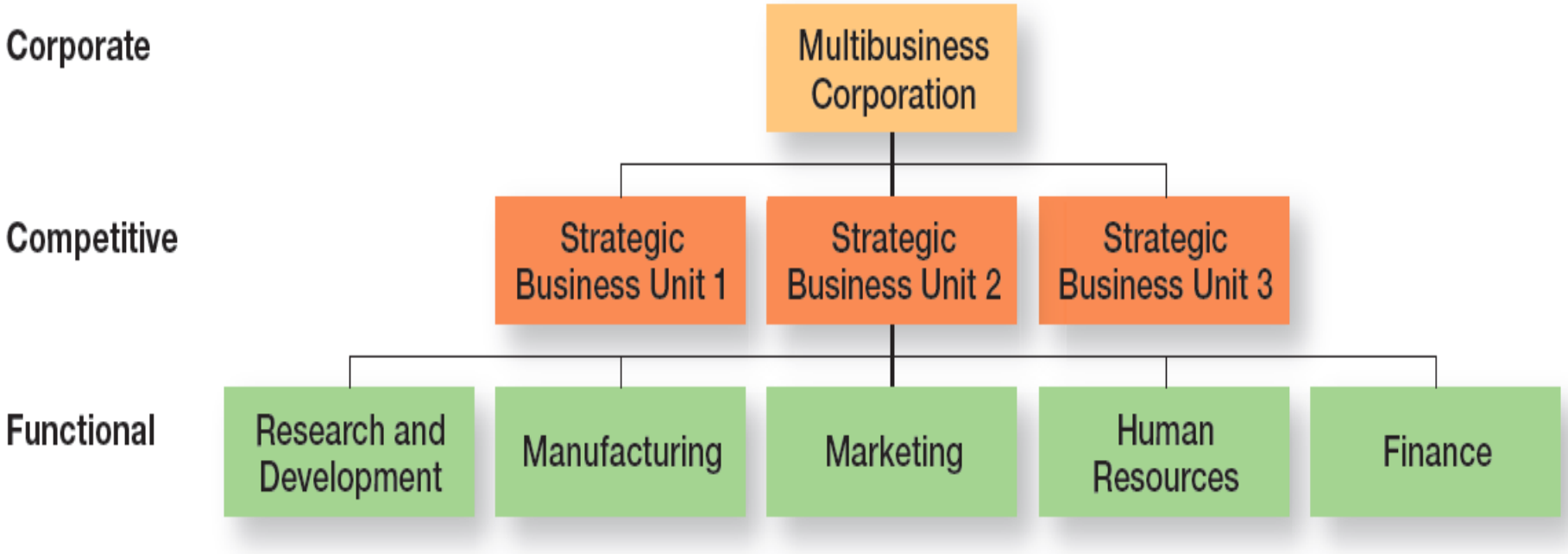

Exhibit 9-3 shows the three types of strategies organizations use: corporate, competitive, and functional.

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What is Corporate Strategy?

- **Corporate strategy**: an organizational strategy that determines what businesses a company is in or wants to be in, and what it wants to do with those businesses

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What Are the Types of Corporate Strategy?

- **Growth strategy**: a corporate strategy that's used when an organization wants to expand the number of markets served or products offered, either through its current business(es) or through new business(es)
  - Concentration
  - Vertical integration
  - Horizontal integration
  - Diversification

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Stability and Renewal Strategies

- **Stability strategy**: a corporate strategy in which an organization continues to do what it is currently doing
- **Renewal strategy**: a corporate strategy designed to address declining performance

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How Are Corporate Strategies Managed?

- **BCG matrix**: a strategy tool that guides resource allocation decisions on the basis of market share and growth rate of SBUs
  - Stars
  - Cash cows
  - Question marks
  - Dogs

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Competitive Strategies

- **Competitive strategy**: an organizational strategy for how an organization will compete in its business(es)
- **Strategic business unit(SBU)**: the single independent businesses of an organization that formulate their own competitive strategies

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The Role of Competitive Advantage

- **Competitive advantage**: What sets an organization apart; its distinctive edge

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Types of Competitive Advantage

- Quality
- Design thinking
- Social media

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Sustaining Competitive Advantage

- **Porter's Five Forces Model**:
  - Threat of new entrants
  - Threat of substitutes
  - Bargaining power of buyers
  - Bargaining power of suppliers
  - Current rivalry

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Choosing a Competitive Strategy

- Cost leadership strategy
- Differentiation strategy
- Focus strategy
- Stuck in the middle

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Functional Strategies

- **Functional strategies**: a strategy used by an organization's various functional departments to support the competitive strategy

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The Need for Strategic Leadership

- **Strategic leadership**: the ability to anticipate, envision, maintain flexibility, think strategically, and work with others in the organization to initiate changes that will create a viable and valuable future for the organization

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Exhibit 9-4
Effective Strategic Leadership

Determining the organization's purpose or vision
Establishing appropriately balanced organizational controls
Exploiting and maintaining the organization's core competencies
Emphasizing ethical organizational decisions and practices
EFFECTIVE STRATEGIC LEADERSHIP
Developing the organization's human capital
Reframing prevailing views by asking penetrating questions and questioning assumptions
Creating and sustaining a strong organizational culture
Creating and maintaining organizational relationships

Exhibit 9-4 shows the eight key dimensions of strategic leadership.

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The Need for Strategic Flexibility

- **Strategic flexibility**: the ability to recognize major external changes, to quickly commit resources, and to recognize when a strategic decision was a mistake

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Exhibit 9-5
Developing Strategic Flexibility

Technique
Encourage leadership unity by making sure everyone is on the same page.
Keep resources fluid and move them as circumstances warrant.
Have the right mindset to explore and understand issues and challenges.
Know what's happening with strategies currently being used by monitoring and measuring results.
Encourage employees to be open about disclosing and sharing negative information.
Get new ideas and perspectives from outside the organization.
Have multiple alternatives when making strategic decisions.
Learn from mistakes.

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Important Organizational Strategies for Today's Environment

- E-Business strategies
- Customer service strategies
- Innovation strategies
  - **First mover**: an organization that's first to bring a product innovation to the market or to use a new process innovation

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Exhibit 9-6
First Mover Advantages and

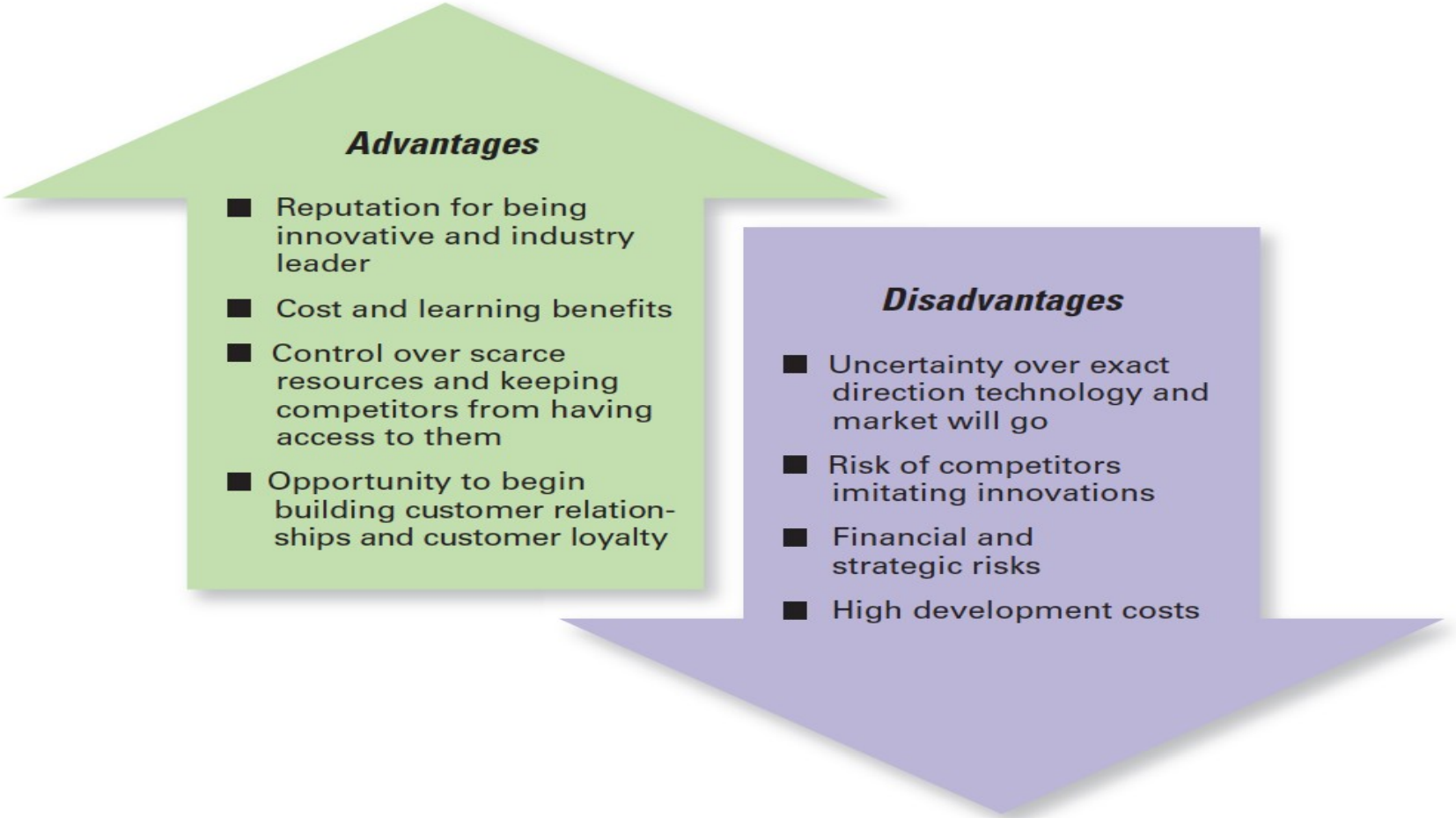
Advantages
Reputation for being innovative and industry leader
Cost and learning benefits
Control over scarce resources and keeping competitors from having access to them
Opportunity to begin building customer relation-ships and customer loyalty
Disadvantages
Uncertainty over exact direction technology and market will go
Risk of competitors imitating innovations
Financial and strategic risks
High development costs

Exhibit 9-6 shows the strategic advantages and disadvantages of being a first mover.

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Review Learning Objective 9.1

- **Define strategic management and explain why it’s important.**
  - Strategic management is what managers do to develop the organization's strategies
  - A business model is how a company is going to make money.

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Review Learning Objective 9.2

- **Explain what managers do during the six steps of the strategic management process.**
  1. Identify the current mission, goals, and strategies
  2. Do an external analysis
  3. Do an internal analysis
  4. Formulate strategies
  5. Implement strategies
  6. Evaluate strategies

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Review Learning Objective 9.3

- **Describe the three types of corporate strategies.**
  - Growth strategies: concentration, vertical integration, horizontal integration, and diversification
  - Stability strategies
  - Renewal strategies: retrenchment and turnaround
  - BCG matrix

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Review Learning Objective 9.4

- **Describe competitive advantage and the competitive strategies organizations use to get it.**
  - Competitive advantage
  - Porter's five forces model
  - Porter's three competitive strategies:
    - Cost leadership
    - Differentiation
    - Focus

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Review Learning Objective 9.5

- **Discuss current strategic management issues.**
  - Strategic leadership
  - Strategic flexibility
  - E-Business strategies

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